

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Global Crossing Ltd., Debtor-in-Possession,	)	IB Docket No. 02-286
Transferor and	)	
GC Acquisition Limited, Transferee	)	
	)	
Application for Consent to Transfer	)	
Control and Petition for Declaratory Ruling	)	

**Comments of  
Communications Workers of America**

Debbie Goldman  
Louise Novotny  
501 Third St. N.W.  
Washington, D.C. 20001  
(202) 434-1194 (phone)  
(202) 434-1201 (fax)  
[debbie@cwa-union.org](mailto:debbie@cwa-union.org)

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The Communications Workers of America (CWA) is a labor organization that represents more than 730,000 employees nationally in telecommunications, publishing, broadcasting, manufacturing, airlines, health care and other public and private sector organizations. CWA has a direct and continuing interest in this proceeding. CWA represents about 1,100 current employees and about 800 retirees of the Frontier (“Frontier”) incumbent local exchange carriers (ILECs) in the states of New York, Minnesota, and Iowa. As a result of prior transactions, the Frontier ILECs are now wholly owned subsidiaries of Citizens Communications, which purchased these assets from Global Crossing, effective July 7, 2001.

In this proceeding, the Commission reviews the application by Global Crossing Ltd and GC Acquisition to transfer control of Global Crossing’s FCC-licensed subsidiaries to GC Acquisition, called “New GX.” The transaction is designed to facilitate the reorganization of Global Crossing under Chapter 11 of the U.S. bankruptcy code.<sup>1</sup>

The primary investors in New GX will be Hutchison Telecommunications Limited, a Hong Kong company, and Singapore Technologies Telemedia Pte Ltd, a Singapore company. Together these two entities will own 61.5 percent of the New GX. Global Crossing’s creditors will own the remaining 38.5 percent.<sup>2</sup>

Pursuant to sections 214(a) and 310(d) of the Communications Act, the Commission must

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<sup>1</sup> In the Matter of Global Crossing Ltd. (Debtor in Possession), Transferor, and GC Acquisition Limited, Transferee, Application for Consent to Transfer Control and Petition for Declaratory Ruling (“Application”), IB Docket No. 02-286, Aug. 22, 2002.

<sup>2</sup> *Id.*

determine that a proposed merger is in the public interest.<sup>3</sup> The Applicants bear the burden of proving, by a preponderance of the evidence, that the proposed transaction serves the public interest.<sup>4</sup> The analysis focuses on *demonstrable and verifiable* public interest benefits that could not be achieved if there were no transfer.<sup>5</sup>

The Applicants fail to prove any demonstrable and verifiable public interest benefits of this transaction. Absent an affirmative showing of public interest benefit, the Commission should deny the Applicants' transfer of control request and deny the Applicants' request for a declaratory ruling that the proposed transaction is in the public interest under Section 310(b)(4) of the Communications Act.

The Applicants' assertion that the proposed transaction is in the public interest is neither demonstrable nor verifiable.

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<sup>3</sup> 47 U.S.C. §§ 214(a), 310(d).

<sup>4</sup> *Application of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, CC Docket No. 98-141, Memorandum Opinion and Order, 48 (Oct. 8, 1999 Rel.) (SBC/AMT Order). *See also Application of WorldCom, Inc. and MCI Communications Corporation For Transfer of Control of MCI Communications Corporation to WorldCom, Inc.*, CC Docket No. 97-211, Memorandum Opinion and Order, 10 (Sept. 14, 1998 Rel) (WorldCom/MCI Order); *Applications of NYNEX Corporation Transferor, and Bell Atlantic Corporation Transferee, for Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries*, File No. NSD-L-96-10, Memorandum Opinion and Order, 32 (Aug. 14, 1997 Rel.) (Bell Atlantic/NYNEX Order); *Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Telecommunications, Inc., Transferor to AT&T Corp., Transferee*, 14 FCC Rcd 3168-70, 15 (1999) (AT&T/TCI Order); *Application of EchoStar Communications Corporation, (a Nevada Corporation), General Motors Corporation, and Hughes Electronics Corporation (Delaware Corporations) (Transferors) and EchoStar Communications Corporation (a Delaware Corporation) Transferee*, Hearing Designation and Order, CS Docket No. 01-348, 25, (Oct. 9, 2002 Rel) (EchoStar/Hughes Order).

<sup>5</sup> *Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc., Transferor, to AT&T Corp. Transferee*, Memorandum Opinion and Order, CS Docket No. 99-251, 154

The Applicants claim that the transaction is in the public interest because “(n)ew GX will acquire the knowledge and expertise of GCL’s management and personnel in constructing and operating telecommunications networks and providing telecommunications services.”<sup>6</sup> It strains credulity to understand how the acquisition of Global Crossing’s “knowledge and expertise” and “management and personnel” is a public interest benefit. Global Crossing’s management and personnel are responsible for the fourth largest bankruptcy in U.S. history, causing huge losses to Global Crossing’s employees’ through declining value of their 401(k) plans and for many, job loss, to Global Crossing’s investors and to its creditors. According to *The Wall Street Journal*, Global Crossing “never turned a profit and lost about \$7 billion.”<sup>7</sup> Yet, Global Crossing’s Chairman Gary Winnick sold shares worth more than \$734 million.<sup>8</sup>

Moreover, Global Crossing is now the subject of investigation into accounting and corporate fraud by the FBI, the Securities and Exchange Commission (SEC) and two congressional committees.<sup>9</sup> As recently as August 29, 2002, the SEC rejected Global Crossing’s settlement proposal.<sup>10</sup> According to documents released by the House Energy and Commerce Committee, Leo J. Hindery Jr., then Global Crossing’s chief executive, warned in a memorandum to company chairman Gary Winnick in June 2000 that the company was doomed to collapse.<sup>11</sup>

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(June 5, 2000 Rel); SBC/AMT Order, 255.

<sup>6</sup> Application, 14.

<sup>7</sup> Dennis K. Berman and Deborah Solomon, “Questioning the Books: Analysts Fault the Accounting at Global Crossing,” *The Wall Street Journal*, Jan. 30, 2002, A8.

<sup>8</sup> Geraldine Fabrikant with Simon Romero, “How Executives Prospered as Global Crossing Collapsed,” *The New York Times*, Feb. 11, 2002, C-1.

<sup>9</sup> Simon Romero, “S.E.C. Scrutinizing Another Company,” *The New York Times*, Feb. 9, 2002, A-1; Richard A. Oppel, Jr., “House Panel’s Investigation of Global Crossing is Started,” *The New York Times*, Mar. 12, 2002, C-2.

<sup>10</sup> Siobahn Kennedy, “SEC Rebuffs Global Crossing Proposal-Source,” Reuters News, Aug. 29, 2002.

<sup>11</sup> Simon Romero, “Global Crossing Memo Indicates Early Warning of Downfall,” *The New York Times*, Oct. 1, 2002, C-1.

One would expect the Applicants to distance New GX from this track record. Instead, the Applicants cite it is a public interest benefit. On this basis alone, the Commission should deny the Application.

The Applicants' other public interest claim also fails to meet the Commission's "demonstrable and verifiable" standard. The Applicants assert that the "proposed transaction will enhance competition by ensuring the continued viability of the FCC-licensed subsidiaries."<sup>12</sup> But the Applicants fail to provide any evidence to demonstrate why the continued viability of these subsidiaries is necessary to competition. In fact, the Applicants reference the "perceived excess of international transmission capacity" as one of the factors responsible for its financial problems.<sup>13</sup> The Applicants themselves state that "many of GCL's (Global Crossing's) carrier customers have gone out of business or cut back their demand for capacity..."<sup>14</sup> If this is true, the Applicants fail to demonstrate that the continued viability of Global Crossing's FCC-licensed subsidiaries is necessary to competition.

Further, the Applicants claim that a "key consequence of this increased competition has been dramatically falling costs for international transmission capacity, and hence, falling prices for international telecommunications services."<sup>15</sup> Here, too, the Applicants fail to provide the Commission with any data to verify this claim. The Commission can no longer accept on face

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<sup>12</sup> Application, 21.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

value that “falling prices” in and of themselves are necessarily in the public interest. The current instability and turmoil in the telecommunications industry can be attributed, in part, to a market characterized by overcapacity and unsustainable below-cost pricing by new entrants.

The burden is upon the Applicants to prove with a preponderance of evidence that the requested transfer is in the public interest. In their Application, the Applicants fail to provide demonstrable and verifiable evidence of the public interest benefits from the proposed transaction. Therefore, the Commission should deny the Applicants’ request for a declaratory ruling under Section 310(b)(4). Further, absent a more detailed and verifiable showing of the public interest benefit, the Commission should deny the Applicants’ transfer request.

Respectfully Submitted,

Louise Novotny  
Assistant Director of Research  
Communications Workers of America

Dated: October 21, 2002

## **CERTIFICATE OF SERVICE**

This is to certify that I have duly served these comments upon these parties by depositing copies of same in the United States mail, addressed as follows:

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Angela Turner

Andrew D. Lipman  
Jean L. Kiddoo  
Paul O. Gagnier  
Swidler Berlin Shereff Friedman, LLP  
The Washington Harbour  
3000 K Street, N.W., Suite 300  
Washington, D.C. 20007-5116

This is to certify that I have duly served these comments upon these parties via e-mail:

Qualex International, [qualexint@aol.com](mailto:qualexint@aol.com)

J. Breck Blalock, Policy Division, International Bureau, [bblalock@fcc.gov](mailto:bblalock@fcc.gov)

Susan O'Connell, Policy Division, International Bureau, [soconnell@fcc.gov](mailto:soconnell@fcc.gov)

Kathleen Collins, Policy Division, International Bureau, [kcollins@fcc.gov](mailto:kcollins@fcc.gov)

Elizabeth Yockus, Policy Division, Wireline Competition Bureau, [eyockus@fcc.gov](mailto:eyockus@fcc.gov)

Zenji Nakazawa, Public Safety and Private Wireless Division, Wireless Telecommunications Bureau, [znakazaw@fcc.gov](mailto:znakazaw@fcc.gov)

Neil Dellar, Transaction Team, Office of General Counsel, [ndellar@fcc.gov](mailto:ndellar@fcc.gov)